

DRAFT

**QUONSET DEVELOPMENT CORPORATION
MEETING OF THE AUDIT-FINANCE COMMITTEE**

SEPTEMBER 20, 2010

PUBLIC SESSION MINUTES

A meeting of the Audit Finance Committee of the Quonset Development Corporation (the “Corporation”) was held at 3:00 p.m. on Monday, September 20, 2010, at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit-Finance Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following directors constituting a quorum were present and participated throughout the meeting as indicated: Robert H. Breslin, Barbara Jackson, and John G. Simpson. Also present were: Steven J. King, P.E, Managing Director; Kevin M. Barry, Finance Director; and representatives from Braver Accountants & Advisors.

1. CALL TO ORDER:

The meeting was called to order at 3:05 p.m. by Ms. Jackson.

2. APPROVAL OF MINUTES:

Upon motion duly made by Mr. Simpson and seconded by Mr. Breslin, the Committee:

VOTED: To approve the public session minutes of September 15, 2009 as presented.

Voting in favor were: Mr. Breslin, Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

3. REVIEW OF FY2010 AUDITED FINANCIAL STATEMENTS:

Mr. Barry handed out revised audited financial statements to the Committee (Exhibit A). Mr. Barry advised there were payments made on four contracts in late July 2010 that should have been accrued to June 2010 causing the need to update the financials. The change had minimal impact but did result in an increase to net assets. The categories specifically impacted were:

- Capital Assets (pg. 5/ Non-current assets)**
- Accrued expenses (pg. 5/ Current Liabilities)**
- State Bond proceeds (pg. 6/ Capital Contributions)**

- **Due from the State of Rhode Island (pg. 5/ Current Assets) .**

Mr. Barry reviewed the FY2010 Audited Financial Statements and made note of the following:

- **Operating Revenue (page 6) increased seven hundred eight thousand dollars (\$708,000.00); roughly 10.5% increase while Operating Expenses decreased twelve hundred dollars (\$1,200.00). The resulting Operating Income therefore increased seven hundred nine thousand dollars (\$709,000.00) before depreciation.**
- **Net Non-operating Expense shows a loss (pg. 6). There was a special sale in FY2010 giving LJM Packaging, Inc. credit for rent paid over a thirteen (13) year period toward their purchase price. Since the rental income was not received in FY2010 it could not be reflected in the financials. Therefore, the financials do not show the six hundred and fifty six thousand dollars (\$656,000.00) collected in rent, only a three hundred and fifty thousand (\$350,000.00) dollar loss.**

Mr. Barry confirmed for Ms. Jackson that payroll was tested and that all corporate vehicles are accounted for nightly.

Ms. Lindsey Albernaz of Braver Accountants noted that management comments were needed for the following:

- **Payroll testing discovered that the Maintenance Department does not sign off on timecards.**
- **The last minute adjustments to the Financials due to the July contract payments resulting in an auditors note.**

Ms. Jackson asked about a past auditor comment, no longer on the statements, related to Waste Water Septic Coupons. Mr. Barry explained that in the past, the Corporation booked the coupons as income. For FY2010, the Corporation acknowledged the outstanding coupons as deferred income and only booked income as the coupons were sold.

Mr. Breslin asked if the auditors reviewed any consultant agreements. Ms. Albernaz indicated they had not.

Mr. Simpson asked if Braver felt there was any undue risk related to QDC now handling the employee payroll but leaving the pension under RIEDC. Ms. Albernaz indicated the only risk is if the pension were unfunded. Mr. Barry added that the pension is being funded mostly by QDC but in part by RIEDC.

After questioning, Jim Prescott of Braver Accountants stated there had not been any significant change in the Corporation's financial status in the last four years since Braver has been the auditing firm.

Mr. Barry did note that the approval of the financial statement is contingent on approval by the Auditor General. Currently, the Auditor General has requested that the 'Transfer to Rhode Island Economic Development Corporation' be moved from Non-operating revenues (expenses) to Operating Expenses (pg. 6)

**Upon motion duly made by Mr. Simpson and seconded by Mr. Breslin,
the Committee:**

**VOTED: To approve FY2010 Audited Financial Statements as
modified, subject to the approval of the Auditor General.**

Voting in favor were: Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

**There being no further business to come before the Committee, upon
motion duly made by Mr. Simpson and seconded by, Mr. Breslin the
meeting was adjourned at 3:23 p.m.**

Respectfully submitted:

By:_____

Kevin M. Barry

Finance Director